Colorado Department of
Health Care Policy & Financing





Joint Budget Committee Hearing

January 7, 2013

Hearing Agenda

- Previous Briefings
  - Substance Use Disorder R-7 (from Mental Health Briefing)
  - MMIS Reprocurement R-5 (from Governor's Office Briefing)
- Cost Containment Strategies
- Medicaid Expansion
- Accountable Care Collaborative
- Payment Reform
- Issue Briefings
  - Dental Requests R-8, R-9
  - Changes to Pharmacy Reimbursement
  - Long Term Supports and Services
  - Provider Rates R-11
  - Administrative Staff/Additional FTE R-6
- Unemployment and Medicaid

R-7 | Substance Use Disorder Benefit

Improving the behavioral health system

- Current behavioral health system is fragmented and difficult to navigate
- Existing limitations on services restrict clients' access to effective and comprehensive treatment plans

Better coordination will support recovery and improve overall health

- Coordinated request between the Department and Department of Human Services
- States with coordinated substance use disorder benefits have seen improved health and reductions in ER visits, hospitalizations, and complications
- Eliminate/modify some caps on services and add some new clinically effective treatment options

Utilizing the expertise of Behavioral Health Organizations (BHOs) to integrate services

- BHOs already provide substance use disorder and mental health services to clients with co-occurring conditions
- Research shows a high percentage of substance abusers have mental health conditions
- Treating both conditions together is much more clinically effective than treating clients in health care silos

FY 2013-14 Request:
General Fund: $1,818,130
Total Funds: $5,788,068

R-5 | Rebuilding the Medicaid Management Information System

The MMIS primary function is to pay providers

- In FY 2011-12, the MMIS processed millions of claims totaling over $3.5 billion
- Also enrolls providers, completes client management functions, and is used for analytics and reporting

Current system is outdated and workarounds are unsustainable

- Based on 1970's general mainframe design
- System changes (from initiatives, federal mandates, legislation) are costly and take years to complete

Source: http://www.computersciencelab.com/ComputerHistor

(1970's computer mainframe)

A Medicaid payment system for the 21st century

- Dramatically faster system changes leading to quicker implementation of legislation and Department initiatives
- Lower costs for system changes
- More user-friendly interfaces for Medicaid providers
- An interface linking the Colorado Benefits Management System (CBMS), the state's accounting system (COFRS), and the Department's long term case management system (BUS)

Four year investment

- 90% federal match on build with 75% federal match for ongoing maintenance
- Rebuild will be split over four fiscal years ending in FY 2016-17

FY 2013-14 Request:
General Fund: $1,439,072
Total Funds: $15,624,403

Expansion and Cost Containment Strategies

Cost Containment Strategies

1. Benefit Redesign & Value-Based Services
2. Delivery System Reform
3. Payment Reform
4. Improve Health Technology and Information
5. Redesigning Administrative Infrastructure & Reducing Fraud, Waste, Abuse

Medicaid Expansion: The Right Choice for Colorado

Expansion allows Medicaid to cover more than 160,000 additional Coloradans

- Expansion allows us to cover more people with the right services at the right time and drive value in the system
- 58,000 additional parents and adults likely to enroll between 100%-133% of FPL (138% with an automatic 5% income disregard)
  - In 2012, 133 percent of the FPL was $30,657 for a family of four and $14,856 for an individual
- Supports Colorado's health and economy by helping people stay healthier over the long term

Maximizing enhanced federal funding is the best option for Colorado

- Allows provider fee dollars to stretch further with the enhanced federal matching funds
- The Medicaid expansion is expected to have little to no impact on the state General Fund

Expansion Match Rates

Eligibility Category	Match Rate (Federal/State)
Existing Medicaid[1]	50/50
Existing CHP+	65/35 88/12 (FFY 2015-2019)
Parents & AwDC (HB 09-1293)	100/0 (CY2014-16) [2] 90/10 (2020+) [2]
ACA Medicaid	100/0 (CY2014-16) 90/10 (2020+)

Match Rates for Expansion Populations Over Time (Federal/State)				
2014	2017	2018	2019	2020+
100/0	95/5	94/6	93/7	90/10

[1] Includes those currently eligible but not enrolled who subsequently enroll

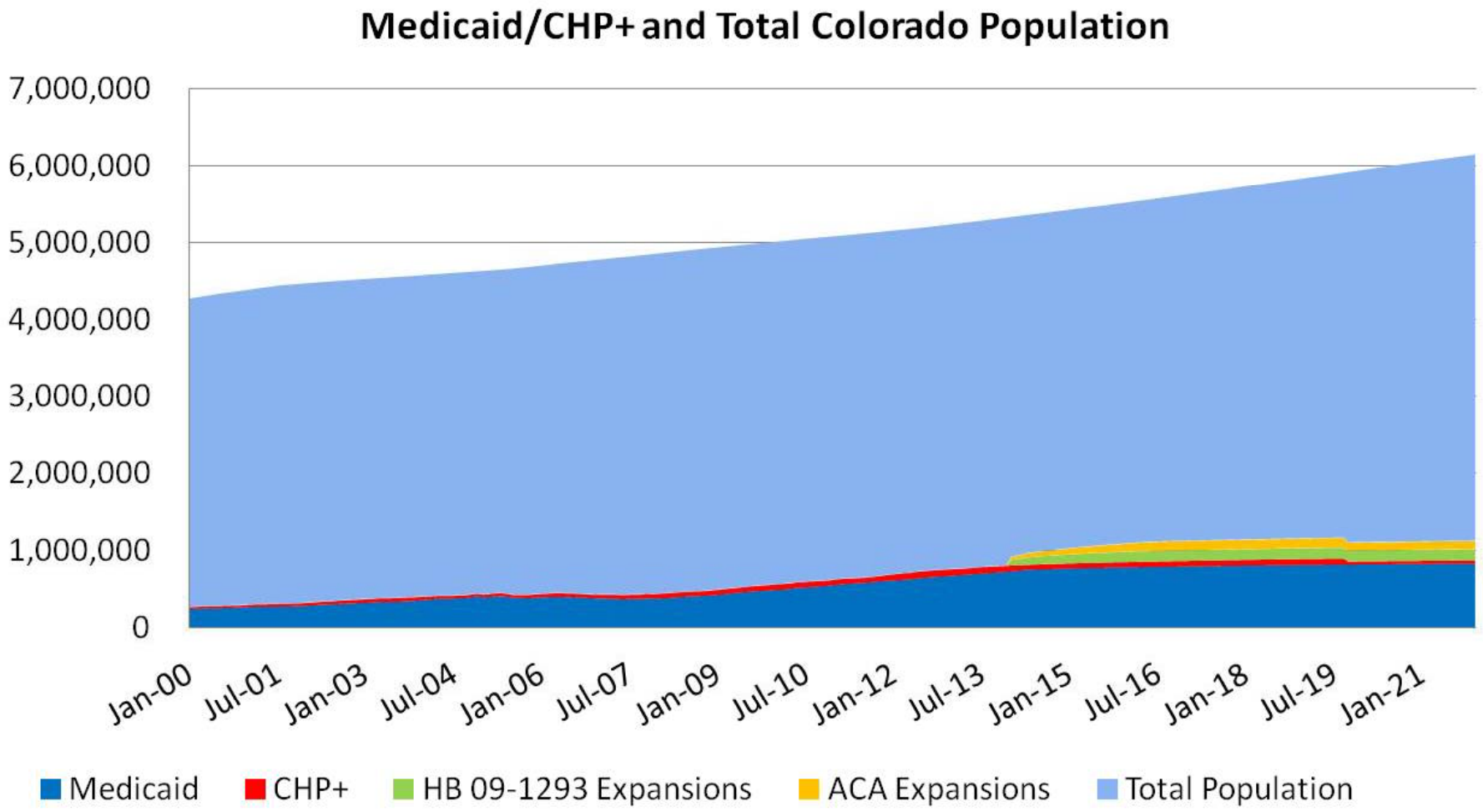
[2] Match rate for parents and AwDC under the 09-1293 expansion will be 50/50 if the state does not expand these categories to 133%

Expansion Financing

Preliminary 10-YEAR ESTIMATE* Caseload and Cumulative Expenditure Projections, 2013-2022 (Representing Net Change, Costs in Millions)			
	HB 09-1293	ACA	**Total
Caseload[1]	220,300	59,500	271,000
Total Cost	$11,709.7	$2,039.2	$13,548.3
State Share: Provider Fee/ Other[2]	*$1,267.3*	***$128.3***	*$1,395.6*
State Share: GF/Other[2]	*$0*	*$0*	***($179.5)***
Federal	*$10,382.3*	*$1,910.9*	*$12,280*

*This is a preliminary estimate of caseload and expenditures and does not include administrative costs or effects of other programs.
**The total estimates column above takes into account calculations for eligible but not enrolled individuals and changes to the CHP+ costs and caseload.
[1] Its estimated that more than 160,000 Coloradans will be enrolled as a result of the expansion. This is the difference between 271,000 (above) and an estimated 110,200 parents and adults without dependent children currently authorized under the provider fee.
[2] As federal funding tapers, we anticipate savings, provider fees and other public funding will cover the additional caseload.

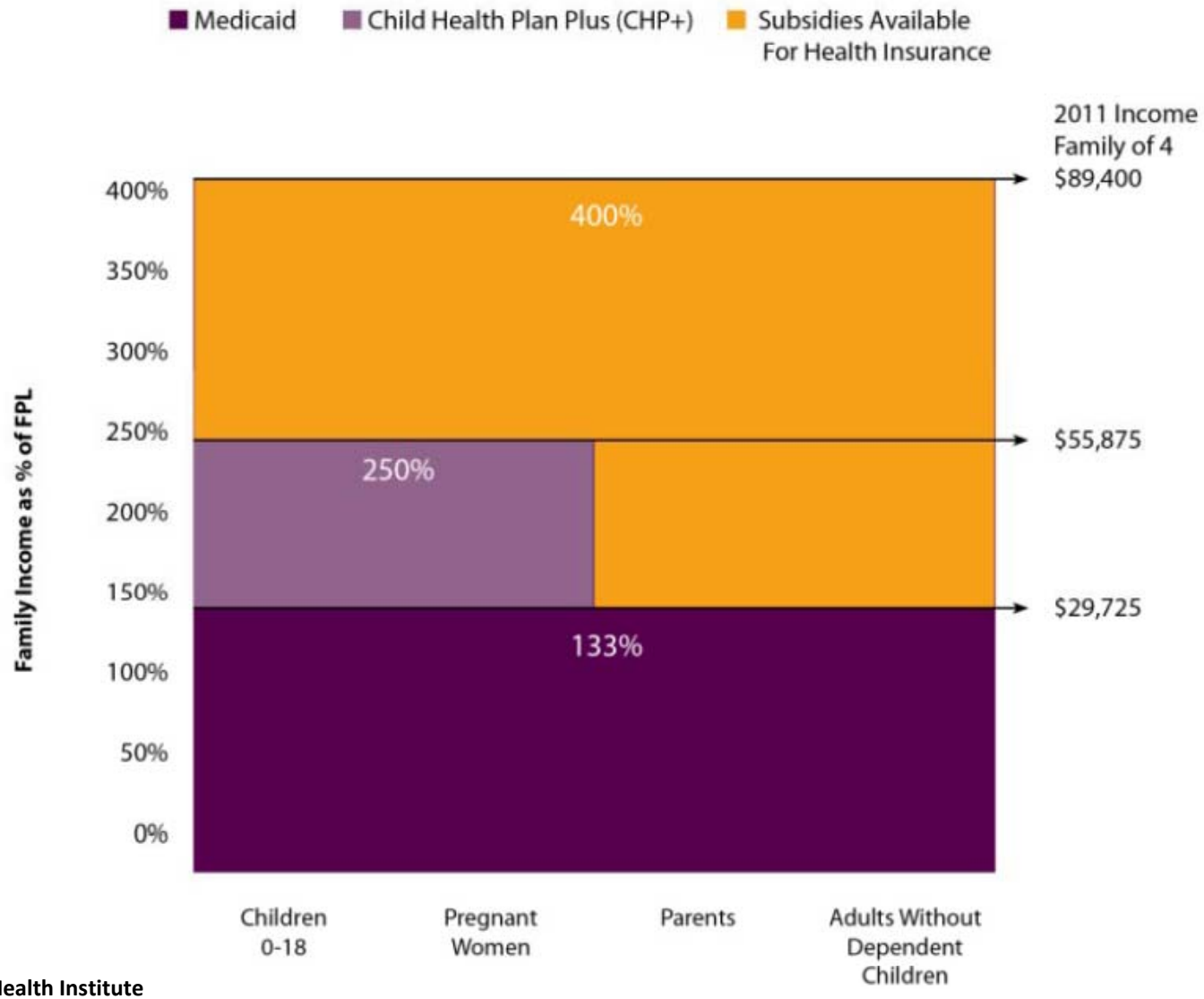
Caseload Forecast with Expansion



*Population estimate from the Department of Local Affairs, State Demography Office.

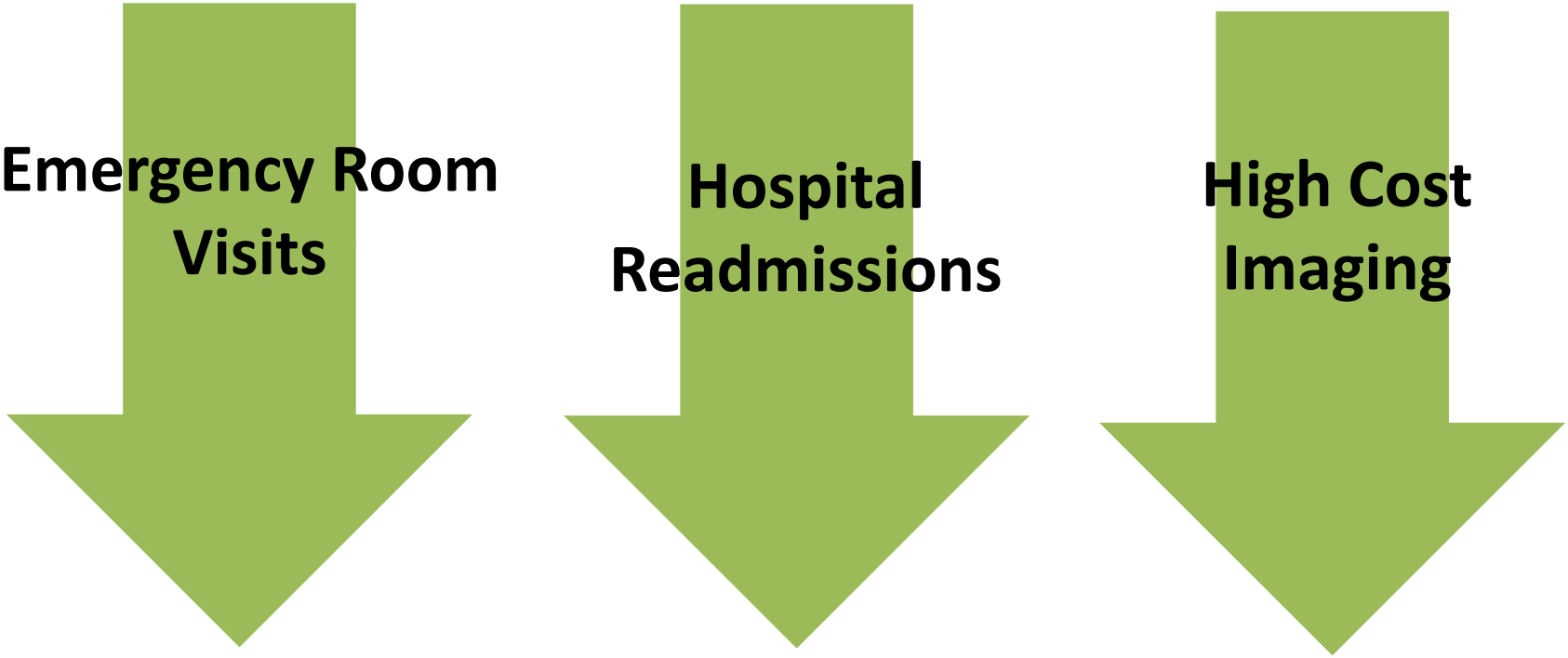
** Eligible But Not Enrolled caseload included in the "ACA Expansions" category.

“Churn” between Medicaid and the Exchange



Courtesy: Colorado Health Institute

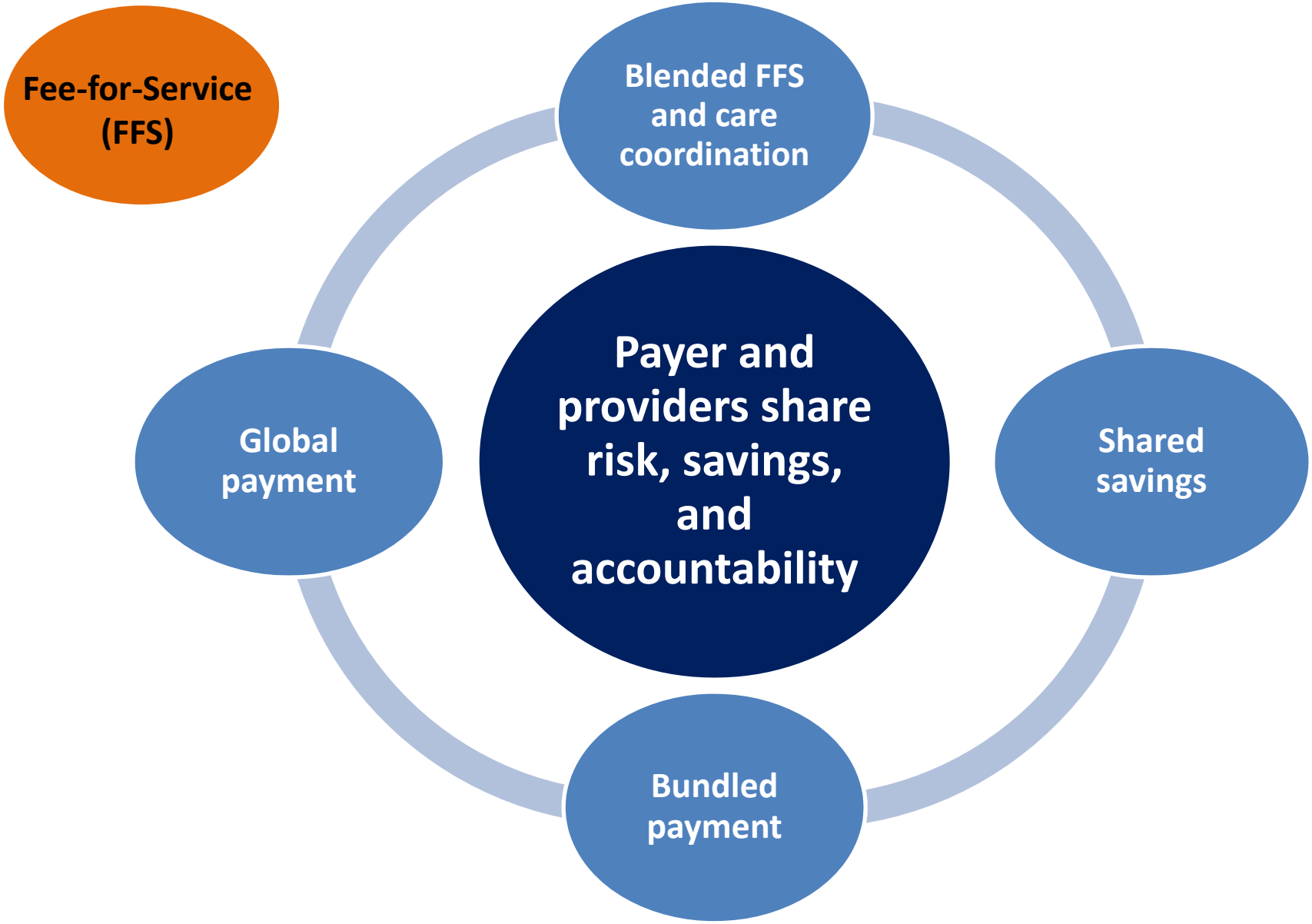
Accountable Care Collaborative: Initial Results



Accountable Care Collaborative: Future Vision

2012	2013	2014	2015	2016
Duals Proposal to CMS	**Enrollment 200,000**	**Enrollment 350-400,000**	**Enrollment 470-520,000**	**Enrollment 620-670,000**
AwDC Implementation	**Shared savings Implementation**	**ACA Expansion**		**RCCO RFP**
CPCI	**Duals Implementation with CMS approval**	**BHO Rebid Implementation**		
	1281 Implementation			

Payment Reform through the ACC



Issue Briefings

R-8 | A Limited Dental Benefit for Adults in Medicaid

Preventive dental care improves health and reduces emergency costs

- Currently adults in Medicaid have no access to preventive dental care
- Clients have limited options (e.g. extractions) for dental emergencies
- Adults who work in lower-paying industries who have no access to preventative dental care lose 2-4 times more work hours due to oral health related issues than adults who have professional positions (National Institutes of Health)

A limited benefit

- Benefits would be determined through a stakeholder process and would likely include basic preventive and restorative treatments (e.g. cleanings and filling cavities)
- There would be an annual $1,000 cap on dental services per client

The cost of providing preventive dental care is potentially

10 times

less than the cost of managing symptoms of dental disease in emergency room

Funding from the Unclaimed Property Trust Fund (UPTF)

- Benefit would be funded by a portion of the incoming revenue to the UPTF
- The UPTF is currently used to pay for CoverColorado – the state's high risk health insurance pool
- CoverColorado is phasing down as a result of federal requirements in the Affordable Care Act
- Lower emergency dental costs funded from UPTF will reduce the General Fund by over $747,000

FY 2013-14 Request:
General Fund: ($747,620)
Total Funds: $32,959,416
FTE: 1.2

R-9 | Better Managing the Dental Benefit for Children in Medicaid

Need for a more focused benefit management

- Dental benefits for children in Medicaid are federally mandated
- Current benefit is in fee-for-service – this incentivizes volume, not value
- Expenditures for this benefit have increased by 93% from FY 2007-08 to FY 2011-12
- Nearly 180,000 children in Medicaid did not receive preventive dental care in FY 2010-11

Leveraging private sector experience

- Utilize a dental administrative services organization (ASO) to better manage the benefit
- ASOs offer multiple benefits:
  - Utilize a dental care coordinator to call parents and set up cleanings
  - Expand the current provider network
  - Provide the Department with data analysis and recommendations on benefit modifications
  - Moving to an ASO would align with the Governor's 10 winnable battles and CDPHE efforts
- ASO contract would be competitively bid
- Contract would require costs to be budget neutral with the possibility of savings

FY 2013-14 Request:
General Fund: $0
Total Funds: $576,072

Changes to Pharmacy Reimbursement

Changing to a fair, transparent reimbursement methodology

- Old reimbursement methodology was based on an artificially inflated pricing index
- The new reimbursement methodology is the weighted average acquisition cost based on actual acquisition cost data submitted by Colorado pharmacies

Potential pharmacy initiatives to improve health and reduce costs

- Expand the Rx Review program to a full Medication Therapy Management program
- Incentivize providers to participate in the Department's Client Over Utilization Program
- Expand the Department's current Drug Utilization Review vendor contract to:
  - review physician administered drugs, one of the highest expenditure areas and largely unmanaged currently
  - provide specialist prior authorization review and/or peer to peer consultation on complex cases
- Reimburse pharmacists for providing immunizations

Vision for Long Term Services and Supports

Improve the experience of care, improve client health, and reduce per capita costs

Quality Programs

Client-centered

Cost-effective

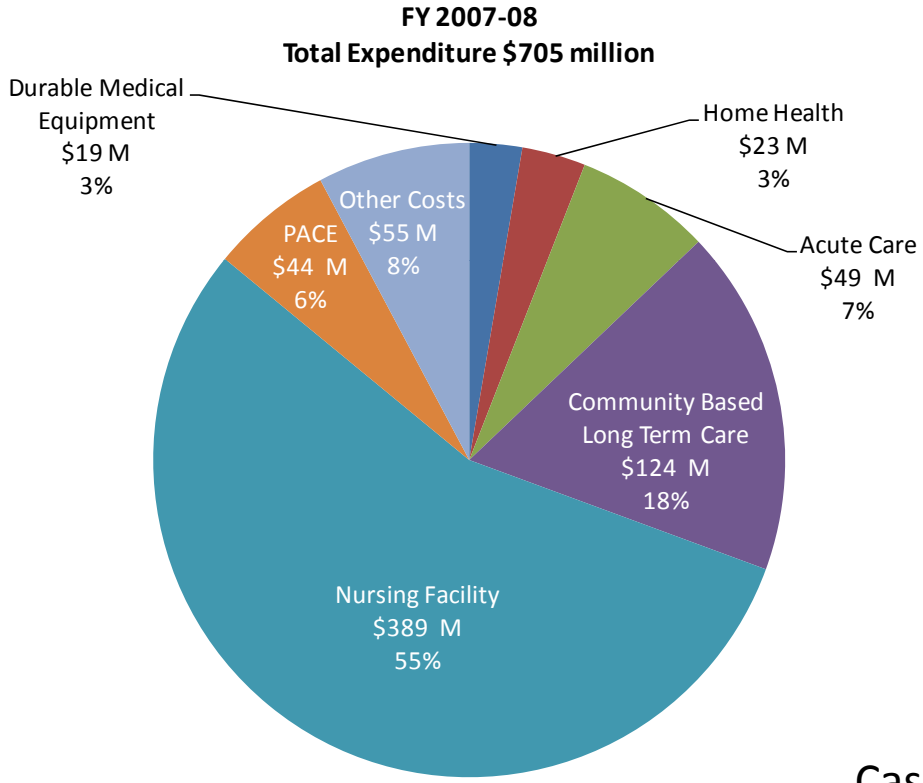
Long Term Services and Supports

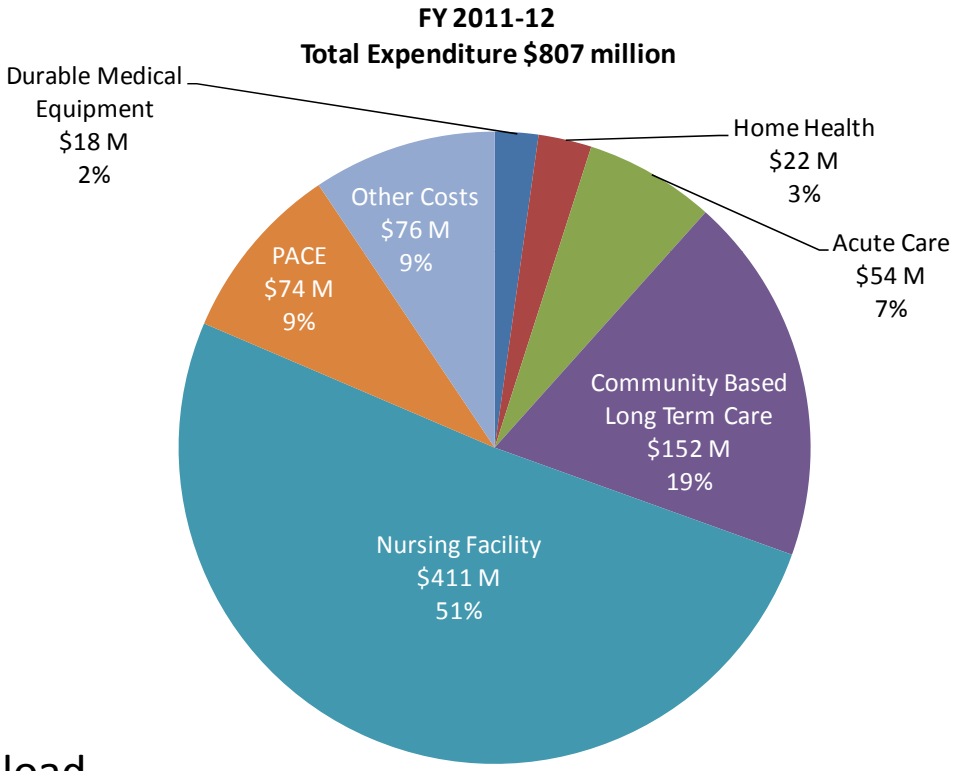
- Major component of the budget
  - $1.8 billion spent for 110,000 clients
  - 58% of physical health services costs and 16% of caseload
  - Fragmented and complex service delivery

- Significant efforts underway to improve
  - Program operations and management
  - Data analysis
  - Benefit Management
  - Partnership with clients, providers, and stakeholders

Adults 65 and Older

FY 2007-08 Expenditures vs. FY 2011-12



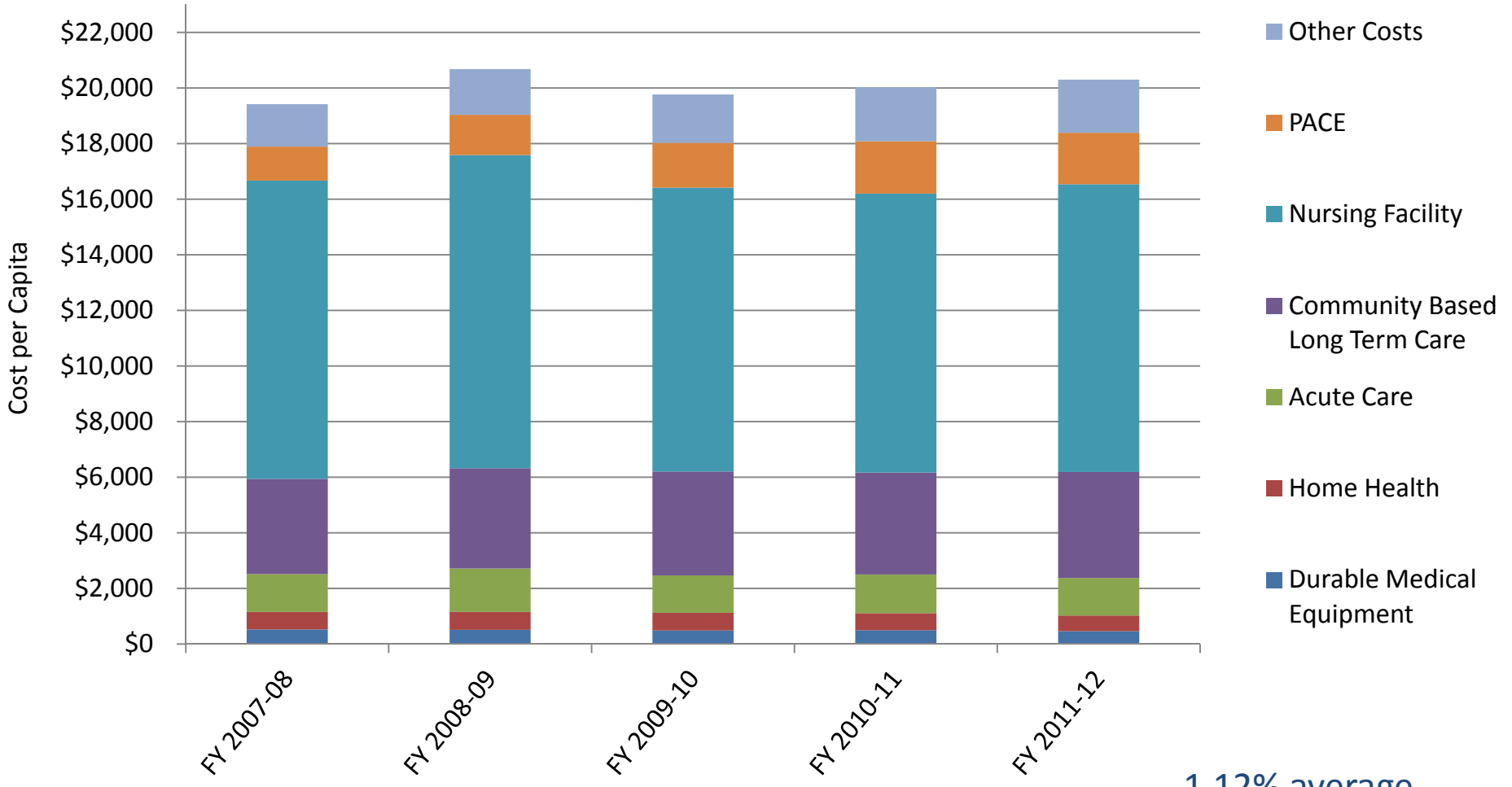


Caseload

FY 2007-08: 36,284

FY 2011-12: 39,740

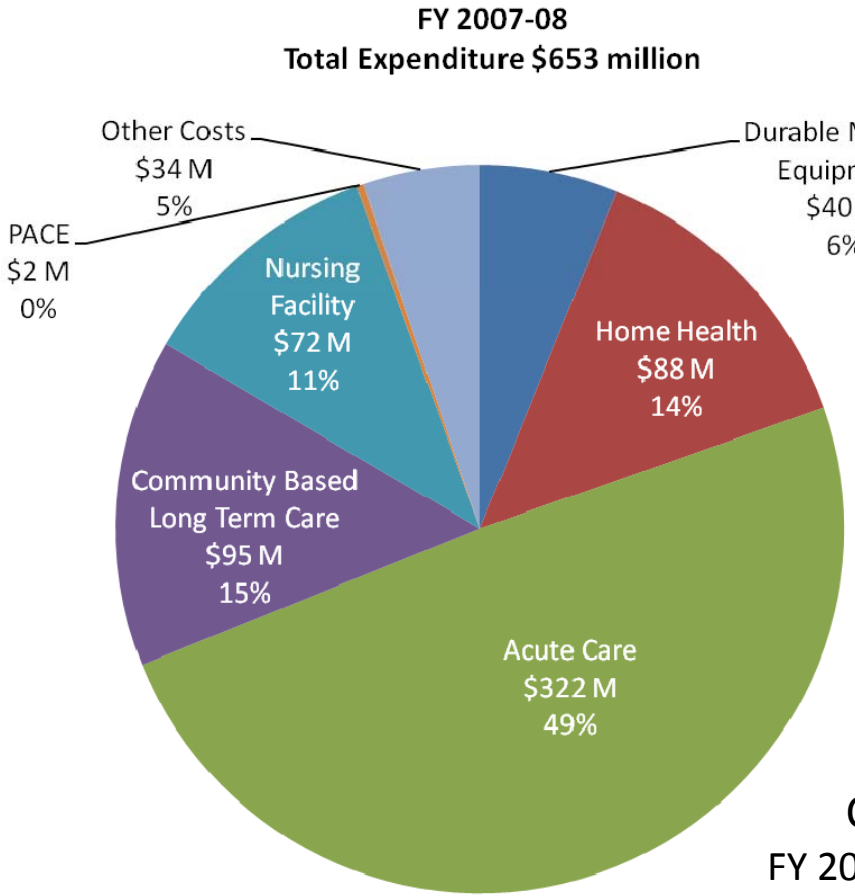
Adults 65 and Older
Per Capita Expenditures

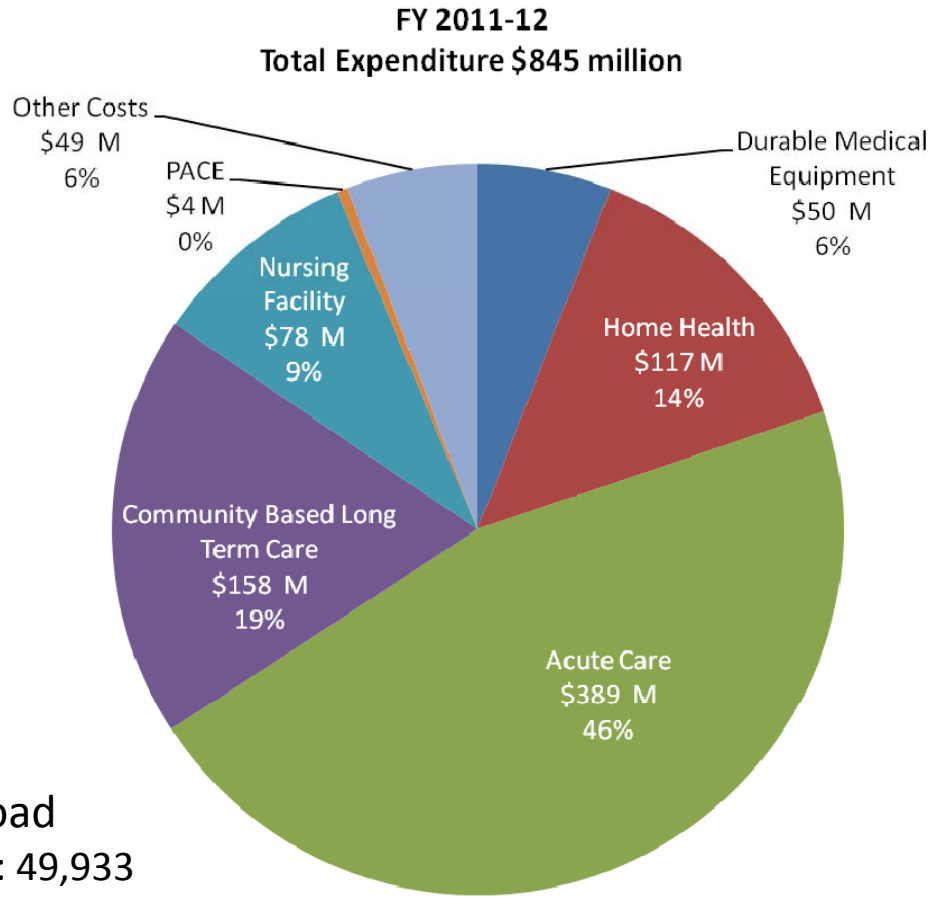


1.12% average annual growth

Individuals with Disabilities to 59

FY 2007-08 Expenditures vs. FY 2011-12



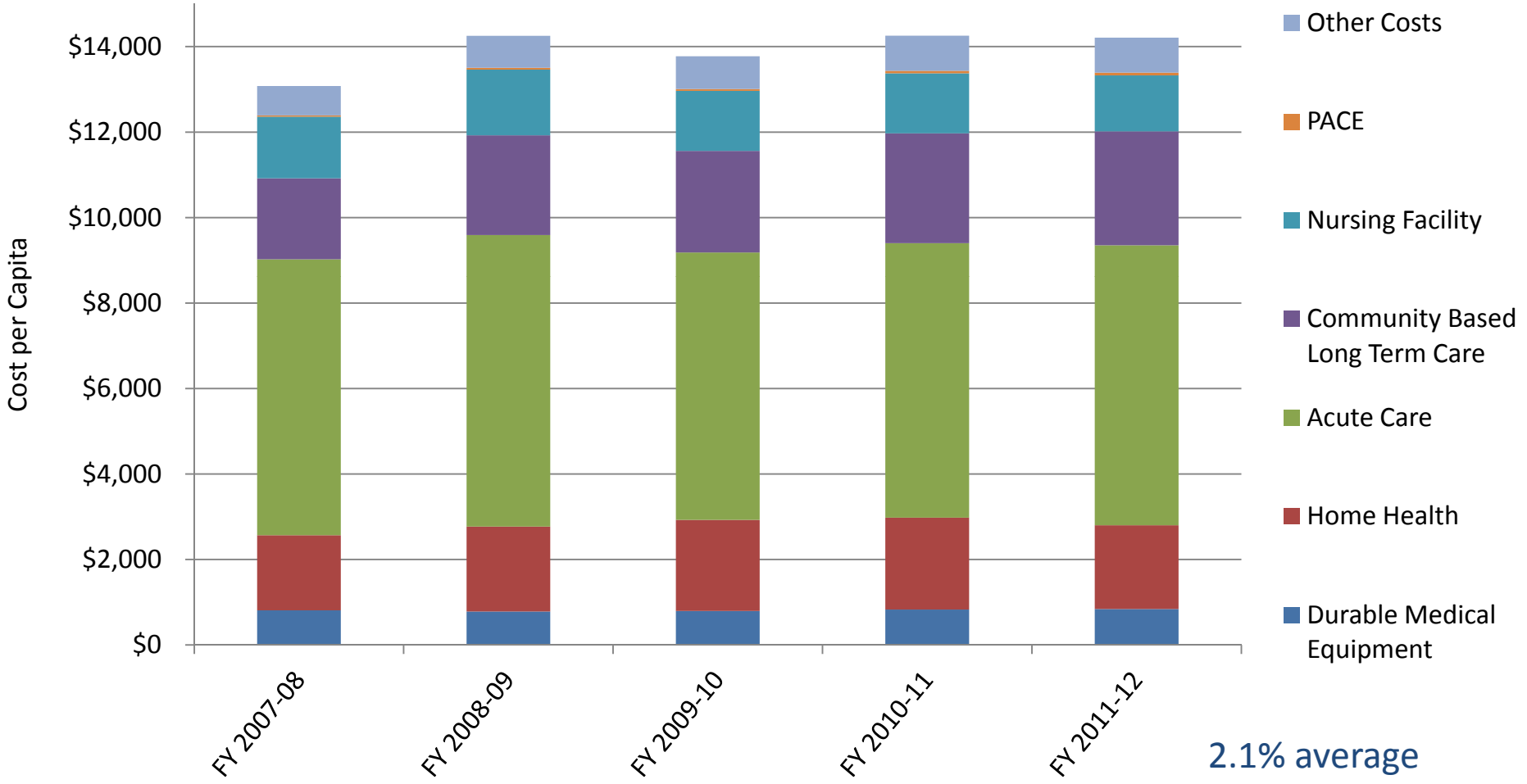


Caseload

FY 2007-08: 49,933

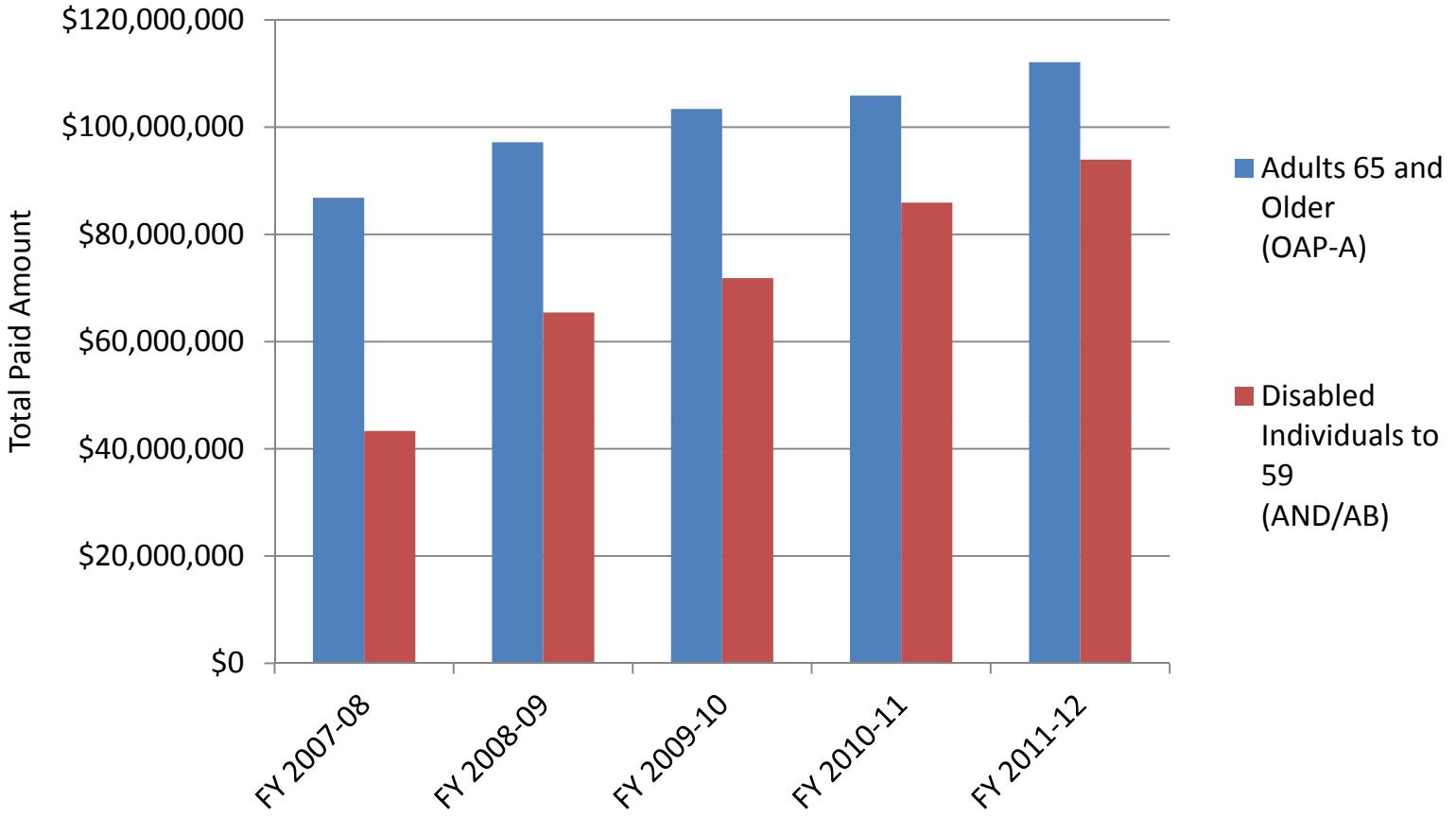
FY 2011-12: 59,434

Individuals with Disabilities to 59
Per Capita Expenditures



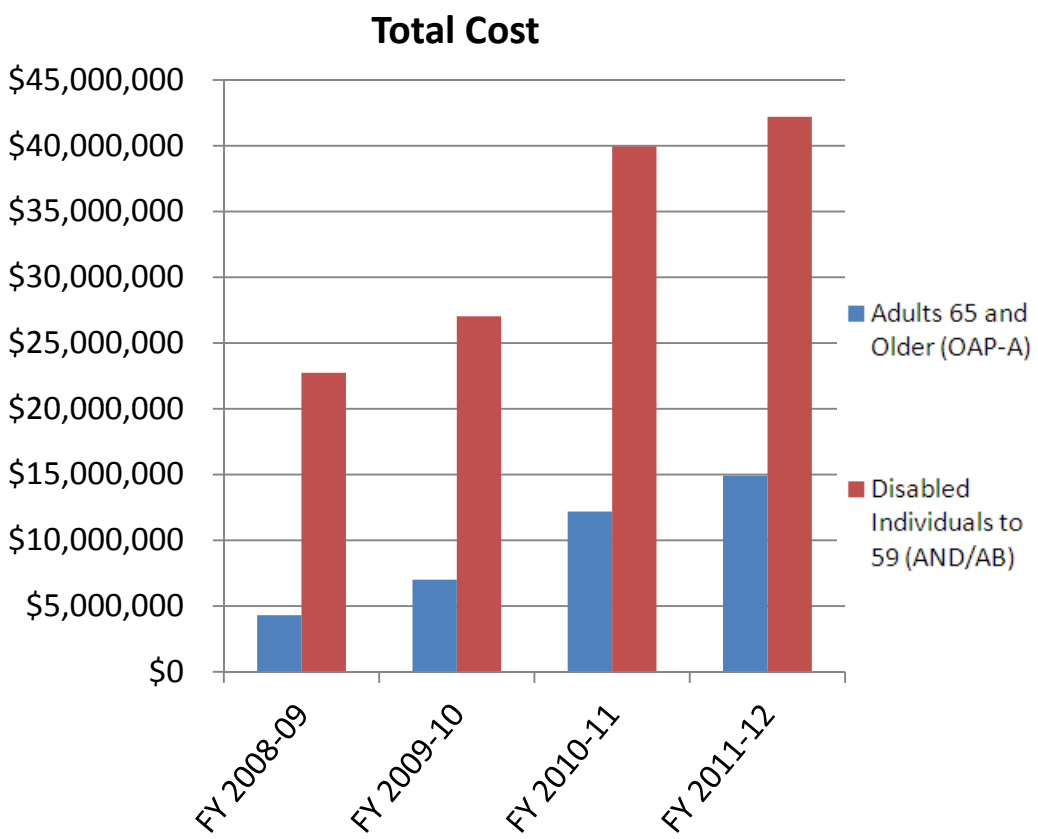
2.1% average annual growth

Elderly, Blind, and Disabled Waiver Expenditures



- EBD waiver expenditures for the above categories was $206 million in FY 2011-12
- EBD expenditures are growing at 6.5% for adults 65 and older and 21% for individuals with disabilities on average each year

Consumer Directed Attendant Support and Services (CDASS) Expenditures



$57 million total in FY 2011-12
28% of EBD expenditures

$28,736 average in FY 2011-12
24% decrease from FY 2008-09

Improving Long Term Supports and Services

Strong program management

Transparent stakeholder partnerships

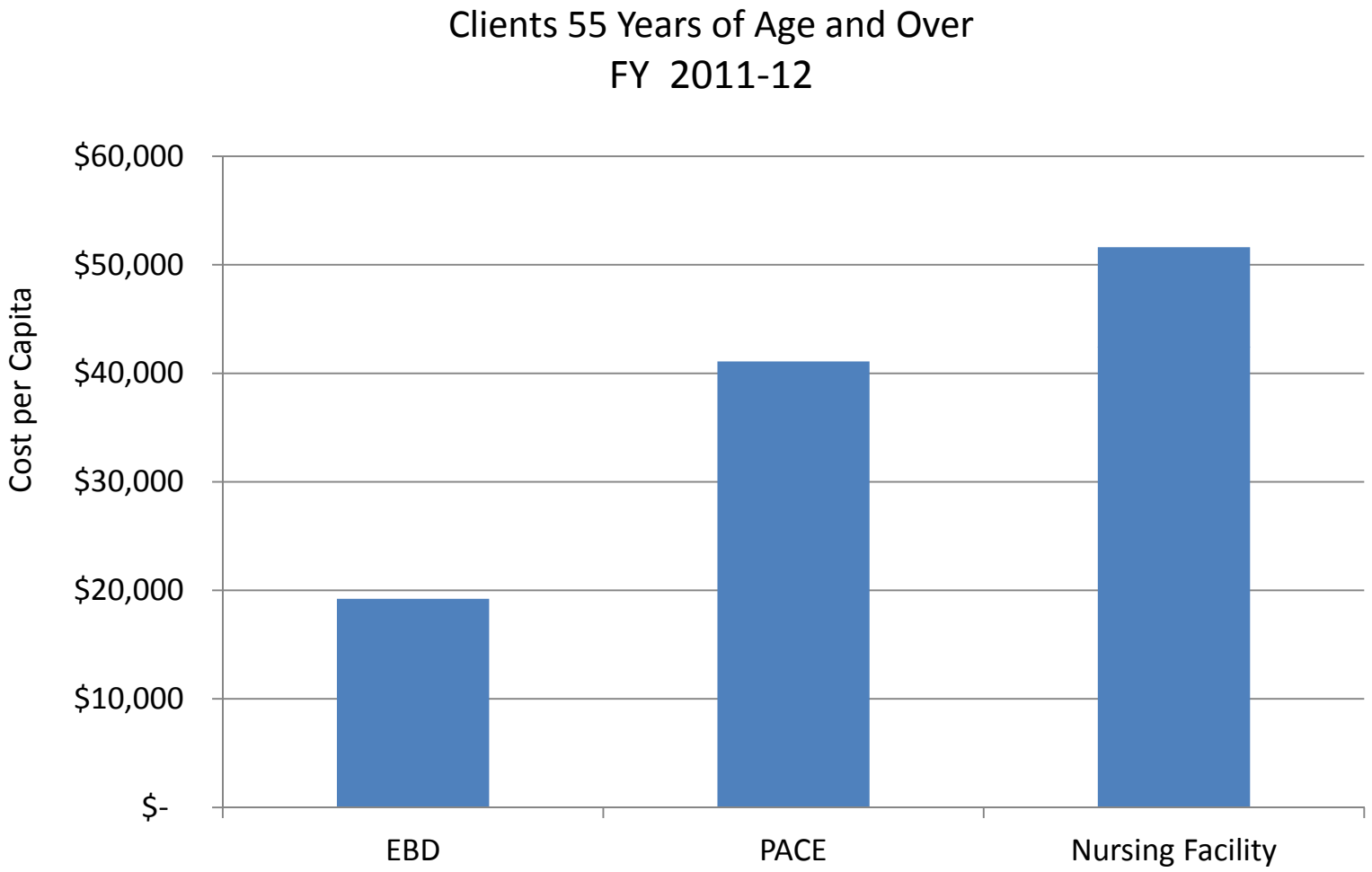
Rigorous data analysis

Consumer direction

Program for All Inclusive Care for the Elderly (PACE) Status

- Key Stats: $85 million per year, 2,000 clients, $41,000 per year per PACE client (FY 2011-12)
- Program improvements underway
  - Consistency in data and quality measurement
  - Formalization and streamlining of PACE applications
  - Updating PACE rules

PACE Costs Compared to Other Programs



R-13 | 1.5% Provider Rate Increase

Reductions during the recession

- Since FY 2008-09 the state has implemented five budget reductions items that have reduced reimbursement rates
- Maintaining these rate reductions would exacerbate the financial strain on Medicaid providers

Increasing rates to maintain clients access to health care

- It is increasingly difficult to retain current providers or attract new providers with current reimbursement rates
- Access to health care in rural areas is already a challenge

FY 2013-14 Request:
General Fund: $14,578,983
Total Funds: $33,116,630

R-6 | FTE for Understaffed Programs

Demands on the Department have grown

- Created in 1993, the Department's function has transitioned from simply being a payer of claims to becoming an innovator that focuses on policy and initiatives to transform how the state delivers and pays for health care
- Increasing Demands:
  - Greater stakeholder engagement
  - Increased caseload
  - Need for innovative cost savings measures to reduce expenditures
  - Implementation of the Affordable Care Act
  - More strict federal guidelines

Department efforts to increase efficiency

- The Department utilized LEAN to conduct 12 process improvement projects
- Stakeholder groups have been used to develop and communicate new policy

FY 2013-14 Request:
General Fund: $352,172
Total Funds: $704,341
FTE: 7.4

Supported by our stakeholders

Colorado Coalition for the Medically Underserved

COLORADO CENTER on LAW & POLICY
Justice and Economic Security for *all* Coloradans

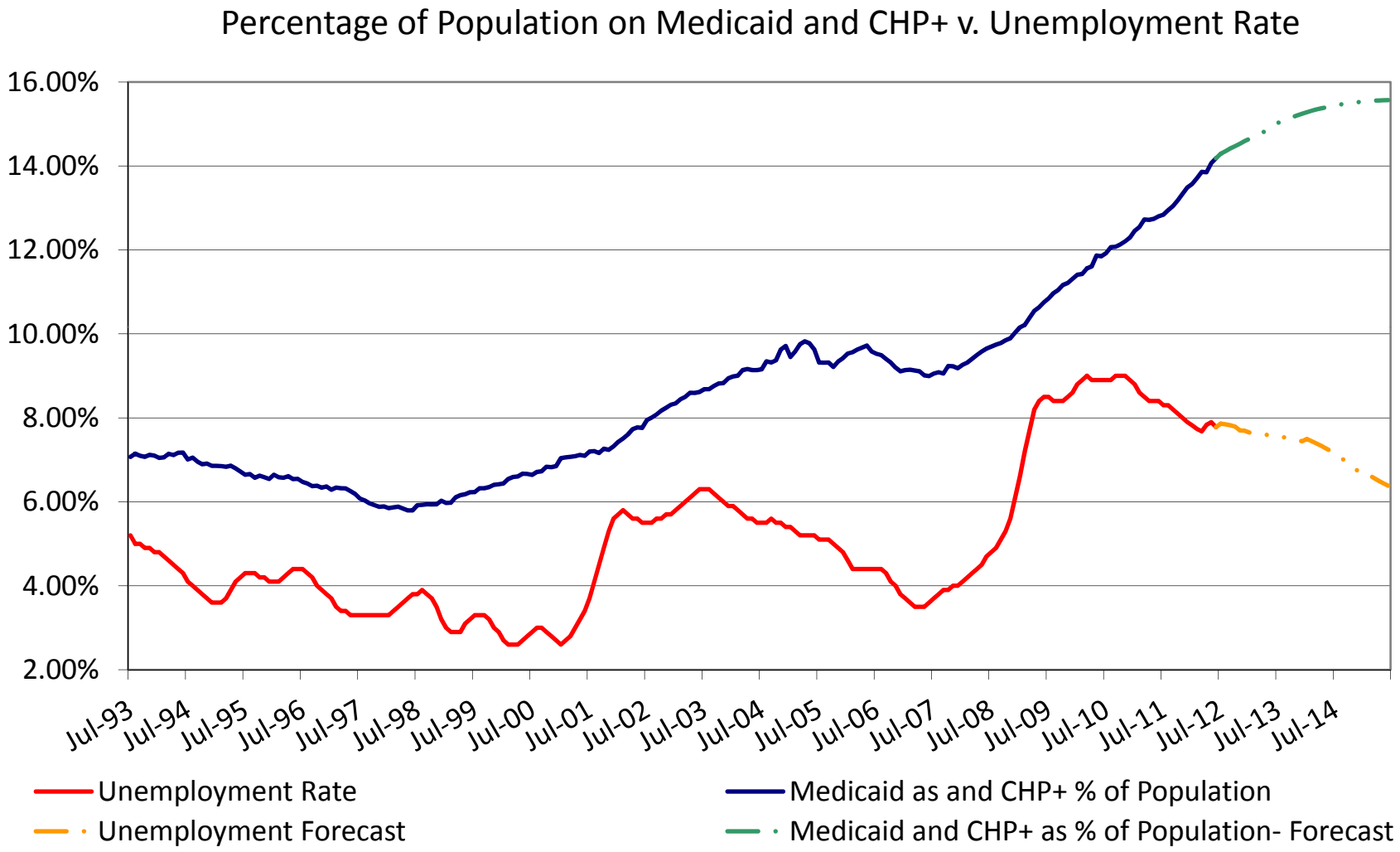
CCDC

COLORADO CHILDREN'S CAMPAIGN
Creating hope and opportunity in Colorado, more than one million kids at a time.

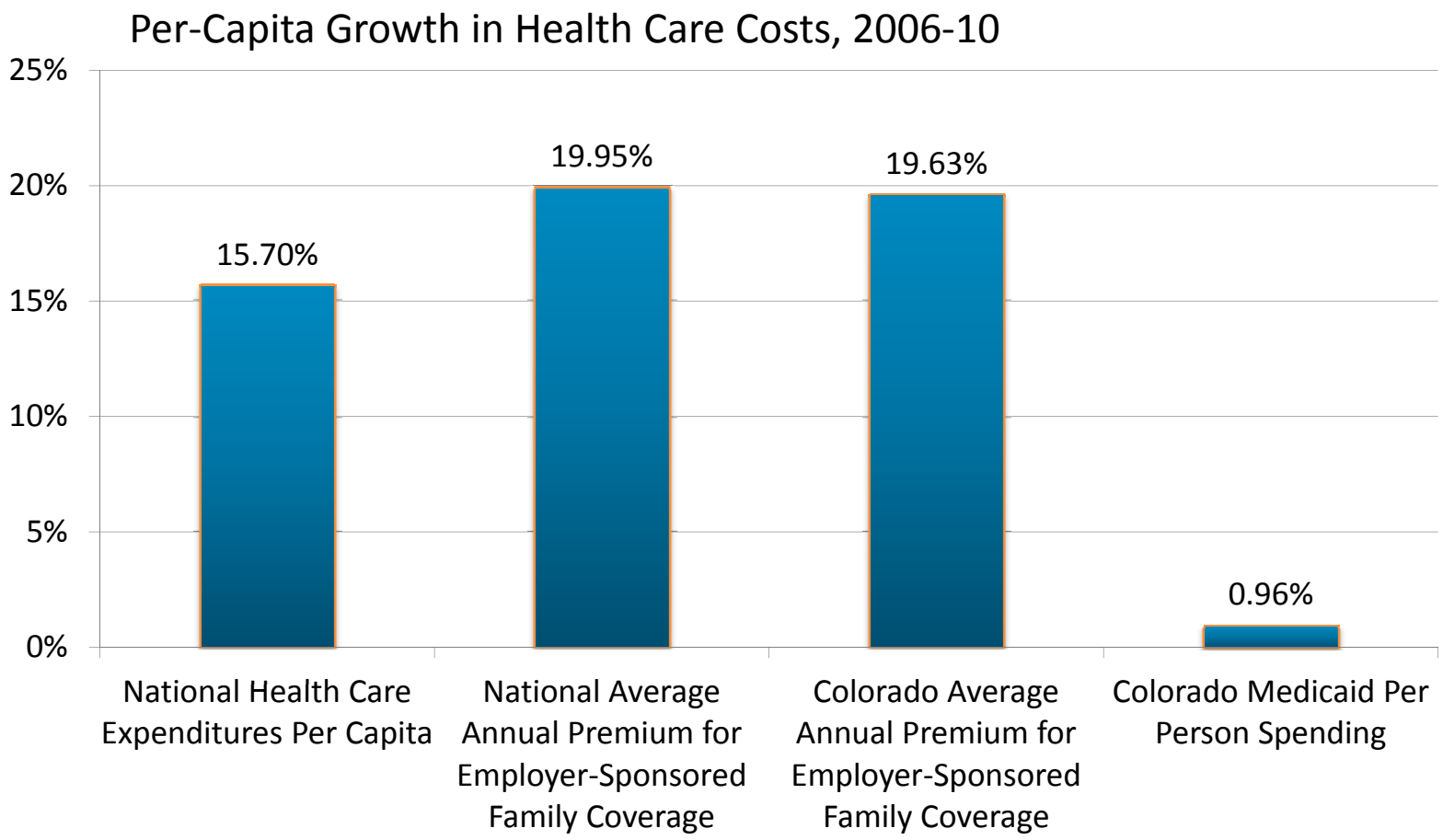
ALL KIDS COVERED
Healthy Kids A Healthy Colorado

Alliance
Colorado Communities United for People with Developmental Disabilities

Unemployment and Caseload



Growth in Health Care Costs



Our Mission:

Improving health care access and outcomes for the people we serve while demonstrating sound stewardship of financial resources